

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name COPPER COUNTRY MENTAL HEALTH	County HOUGHTON
Fiscal Year End 9/30/07	Opinion Date 3/8/2008	Date Audit Report Submitted to State 3-25-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

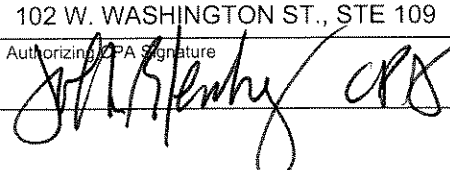
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN, & CO., P.L.C.		Telephone Number (906) 225-1166		
Street Address 102 W. WASHINGTON ST., STE 109		City MARQUETTE	State MI	Zip 49855
Authorizing CPA Signature 		Printed Name JOHN W. BLEMBERG, CPA		License Number 10180

**COPPER COUNTRY COMMUNITY MENTAL  
HEALTH SERVICES BOARD**

**FINANCIAL STATEMENTS AS OF  
September 30, 2007**

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**INDEPENDENT AUDITORS' REPORT**

Members of the Board  
Copper Country Community Mental Health  
Services Board  
Houghton, Michigan 49931

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2007 which collectively comprise the Board's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Copper Country Community Mental Health Services Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of September 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2008 on our consideration of Copper Country Community Mental Health Services Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements

Members of the Board  
Copper Country Community Mental Health  
Services Board  
Houghton, Michigan 49931

and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 33 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Copper Country Community Mental Health Services Board basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 8, 2008

## **Copper Country Community Mental Health Services Board**

### **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Copper Country Community Mental Health Services Board (the Board's) financial performance provides an overview of the Board's financial activities for the year ended September 30, 2007. Please read it in conjunction with the financial statements, which begin on page 12.

#### **FINANCIAL HIGHLIGHTS**

- Net assets for the Board as a whole were reported at \$7,322,125 at September 30, 2007 and \$7,358,751 at September 30, 2006 as restated. Net assets are comprised of 100% governmental activities.
- During the year, the Board's expenses were \$15,928,744, while revenues from all sources totaled \$15,892,118, resulting in a decrease in net assets of \$36,626.
- The general fund reported a decrease in fund balance of \$133,468. Revenues were \$122,681 below the budgeted amount of \$15,192,999 and expenditures were \$145,739 below budgeted amount of \$15,349,525.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Board's operations in more detail than the government-wide statements by providing information of the Board's most significant funds.

#### **Reporting Copper Country Community Mental Health Services Board as a Whole**

Our analysis of Copper Country Community Mental Health Services Board as a whole begins on page 8. One of the most important questions asked about the Board's finances is "is the Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Board's *net assets* and changes in them. You can think of the Board's net assets – the difference between assets and liabilities - as one way to measure the Board's financial health, or *financial position*. Over time, *increases or decreases* in the Board's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Board's client base and the condition of the Board's capital assets, to assess the *overall financial health* of the Board.

## Copper Country Community Mental Health Services Board

### MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Board into two kinds of activities:

- Government activities – All the Board's basic services are reported here including client services and general administration. Medicaid and Department of Community Health revenues and other state and federal grants fund most of these activities.
- Business-type activities – The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services.

### Reporting Copper Country Community Mental Health Services Board's Most Significant Funds

Our analysis of Copper Country Community Mental Health Services Board's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the Board as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Board has established other funds to help it control and manage money for particular purposes. The Board's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the Board's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Board charges customers for the services it provides – whether to outside customers or to other units of the Board – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use internal service funds (the only component of the Board's proprietary funds) to report activities that provide supplies and services for the Board's other programs and activities – such as Copper Country Community Mental Health Services Board's Employee Benefit Fund, Equipment Fund, Building and Grounds Fund, and Employee Health Benefits Trust Fund.



## Copper Country Community Mental Health Services Board

### MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

#### Copper Country Community Mental Health Services Board as a Whole

Table 1 provides a summary of the Board's net assets at September 30, 2007 and 2006:

<b>Table 1</b>		
<b>Net Assets</b>		
	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Current and restricted assets	\$8,148,343	\$8,086,599
Capital assets, net	2,480,786	2,813,746
<b>Total Assets</b>	<b>10,629,129</b>	<b>10,900,345</b>
Current liabilities	2,775,095	2,966,823
Noncurrent liabilities	531,909	574,771
<b>Total Liabilities</b>	<b>3,307,004</b>	<b>3,541,594</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,906,135	2,055,227
Unrestricted	5,415,990	5,303,524
<b>Total Net Assets</b>	<b>\$7,322,125</b>	<b>\$7,358,751</b>

Net assets of the Board's governmental activities stood at \$7,322,125. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$5,415,990.

The results of this year's operations for the Board as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

<b>Table 2</b>		
<b>Changes in Net Assets</b>		
	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$1,230,876	\$1,711,021
Operating grants and contributions	12,219,149	11,256,159
General Revenues:		
State sources not restricted to specific program	2,104,294	2,268,747
Investment earnings	299,486	226,574
Miscellaneous	38,313	37,725
<b>Total Revenues</b>	<b>15,892,118</b>	<b>15,500,226</b>
<b>Program Expenses:</b>		
General government	15,928,744	14,997,710

## Copper Country Community Mental Health Services Board

### MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities	
	2007	2006
Total Expenses	\$15,928,744	\$14,997,710
Increase (decrease) in net assets	(36,626)	502,516
Net assets, beginning as restated	7,358,751	6,856,235
Net Assets, Ending	\$7,322,125	\$7,358,751

The Board's program revenues were \$13,450,025. The total cost of all programs and services was \$15,928,744, leaving an excess expense of \$2,478,719 to be funded with general revenues. The decrease in net assets for the year was \$36,626, representing the deficit of general revenues over the net cost of programs and services. The Board incurred a reduction in funding in the last quarter of the fiscal year from the Michigan Department of Community Health. This decrease in funding had a negative impact on the Board's ability to administer its planned programming within budget. Additionally, it decreases the Board's unrestricted net assets that may be retained for use in future periods, if necessary.

Table 3 presents the cost of each of the Board's activities – General Government and Depreciation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the Board's operation.

**Table 3**  
**Governmental Activities**

	Total Cost Of Services	Net Cost Of Services
General Government	\$15,928,744	\$2,478,719
Totals	\$15,928,744	\$2,478,719

### **COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD'S FUNDS**

As Copper Country Community Mental Health Services Board completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$5,858,194 a decrease of \$129,171 from the beginning of the year. The decrease was mainly the result of a decrease in the Michigan Department of Community Health funding.

### **General Fund Budgetary Highlights**

During the year, the Board revised the budget. The primary purpose of the revision was to reallocate budgeted expenditures among specific program areas to more adequately fund the array of services based upon the demands and needs of the Board's consumers.

With these adjustments, actual charges to expenditures were \$145,739 lower than the final amended budget. Also, revenues were \$122,681 lower than the final budget projection.

## Copper Country Community Mental Health Services Board

### MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

At the end of fiscal 2007, the Board had \$2,480,786 invested in a variety of capital assets including buildings, vehicles and other equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**

	Governmental Activities	
	2007	2006
Land and construction in progress	\$407,135	\$449,478
Buildings	4,810,372	4,749,604
Equipment and furnishings	1,026,524	1,059,469
Accumulated depreciation	(3,763,245)	(3,444,805)
Total Net Assets	\$2,480,786	\$2,813,746

See Note E – Capital Assets for further details on capital assets.

##### Debt

At year-end, the Board had \$574,651 in notes outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	2007	2006
Current maturities	\$42,742	\$37,460
Long-term maturities	531,909	574,771
Total Debt	\$574,651	\$612,231

There were no new additions to debt for this year.

See Note I – Commitments for further details on long-term debt.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Copper Country Community Mental Health Services Board's appointed officials consider many factors when preparing their financial plan and setting the fiscal year 2008 budget. The Board is dependent upon the federal and state governments, primarily through the Medicaid program and direct appropriations, for the vast majority of its annual funding. This funding has been significantly constrained and influenced by economic conditions that have precipitated declining revenues at both the national and state levels. Compounding this challenge has been the added administrative, programming and cost burdens imposed by expanded Medicaid rules and conditions for funding, plus the cost of compliance with expanded regulatory demands, primarily at the federal level. An additional factor, not any less significant, is the rising cost of supplies, services and labor, particularly the escalating cost of providing reasonable and adequate health insurance for the Board's employees.

## **Copper Country Community Mental Health Services Board**

### **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

With these challenges and factors to manage, the Board has been able to concentrate its resources to achieve cost control and efficiency while continuing to meet the needs of its consumers, retain its highly-skilled and experienced employee base, and ensure current and future liquidity and long-term solvency through careful and prudent cash, debt and investment management. The Board maintains a strong position of net assets that helps ensure a continuity of services and that provides a critical layer of financial security in the event of significant variances, temporary deficits, or interruptions in funding.

### **CONTACTING COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our clients, customers, and investors and creditors with a general overview of Copper Country Community Mental Health Services Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board's Executive Director at Copper Country Community Mental Health Services Board, 901 West Memorial Drive, Houghton, MI 49931.

# Copper Country Community Mental Health Services Board

## STATEMENT OF NET ASSETS

September 30, 2007

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,056,937
Receivables, net:	
Client fees	82,721
Other	437,524
Grants	-
Due from State of Michigan	10,520
Due from Other Local Units	8,135
Inventory	6,926
Prepaid expenses and other assets	42,766
Total current assets	<u>7,645,529</u>
Restricted assets	<u>502,814</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	353,548
Other capital assets	5,890,483
Accumulated depreciation	<u>(3,763,245)</u>
Total noncurrent assets	<u>2,480,786</u>
TOTAL ASSETS	<u>10,629,129</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	720,208
Due to State of Michigan	23,275
Advance State of Michigan	-
Accrued payroll and related	1,060,290
Accrued vacation and vested sick leave	508,659
Claims payable	415,827
Deferred revenue	4,094
Current maturities on debt	42,742
Total current liabilities	<u>2,775,095</u>
Noncurrent liabilities:	
Notes payable	<u>531,909</u>
Total noncurrent liabilities	<u>531,909</u>
TOTAL LIABILITIES	<u>3,307,004</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,906,135
Unrestricted	<u>5,415,990</u>
TOTAL NET ASSETS	<u>\$ 7,322,125</u>

The accompanying notes to financial statements are an integral part of this statement.

# Copper Country Community Mental Health Services Board

## STATEMENT OF ACTIVITIES

For the year ended September 30, 2007

Function/Program	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 15,928,744	\$ 1,230,876	\$ 12,219,149	\$ -	\$ (2,478,719)
Total Governmental Activities	<u>\$ 15,928,744</u>	<u>\$ 1,230,876</u>	<u>\$ 12,219,149</u>	<u>\$ -</u>	<u>(2,478,719)</u>
General revenues:					
State sources not restricted to specific program					2,104,294
Investment earnings					299,486
Miscellaneous					38,313
Total general revenues and transfers					<u>2,442,093</u>
Changes in net assets					(36,626)
Net assets, beginning of year as restated					<u>7,358,751</u>
NET ASSETS, END OF YEAR					<u>\$ 7,322,125</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

GOVERNMENTAL FUNDS  
BALANCE SHEET

September 30, 2007

	General Fund	Institute Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,773,889	\$ 237,838	\$ 6,011,727
Accounts receivable:			
Client fees	82,721	-	82,721
Other	197,418	242,563	439,981
Federal grants receivable	-	-	-
Due from State of Michigan	10,520	-	10,520
Due from other funds	1,735,257	-	1,735,257
Due from local counties	8,135	-	8,135
Inventory	6,926	-	6,926
Prepaid expenditures	31,096	1,029	32,125
Deposits	9,342	-	9,342
<b>TOTAL ASSETS</b>	<b>\$ 7,855,304</b>	<b>\$ 481,430</b>	<b>\$ 8,336,734</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 467,272	\$ 53,190	\$ 520,462
Due to State of Michigan	23,275	-	23,275
Due to other funds	517,318	353,101	870,419
Accrued payroll and related	1,060,290	-	1,060,290
Deferred revenue	3,644	450	4,094
<b>TOTAL LIABILITIES</b>	<b>2,071,799</b>	<b>406,741</b>	<b>2,478,540</b>
<b>FUND BALANCE:</b>			
Unreserved	5,783,505	74,689	5,858,194
<b>TOTAL FUND BALANCE</b>	<b>5,783,505</b>	<b>74,689</b>	<b>5,858,194</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 7,855,304</b>	<b>\$ 481,430</b>	<b>\$ 8,336,734</b>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2007

Total Fund Balances for Governmental Funds \$ 5,858,194

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Cost of capital assets	58,901	
Accumulated depreciation	<u>(40,028)</u>	
		18,873

Internal service funds are used by management to charge the cost  
of building rental, equipment usage and employee benefits to the  
General Fund. The assets and liabilities of the internal service funds  
are included in governmental activities in the statement of net assets,  
net of capital assets.

Net assets	1,445,058
------------	-----------

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and therefore are not  
reported in the funds.

-

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 7,322,125

The accompanying notes to financial statements are an integral part of this statement.



# Copper Country Community Mental Health Services Board

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2007

	General Fund	Institute Fund	Total Governmental Funds
REVENUES:			
Federal sources	\$ 276,214	\$ 43,485	\$ 319,699
State sources	13,587,778	321,341	13,909,119
Local sources	255,604	-	255,604
Charges for services	1,561,363	426,840	1,988,203
Contributions from private sources	62,142	-	62,142
Investment income	282,717	16,769	299,486
Other revenue	24,948	13,365	38,313
Less deductions from revenue:			
Contractual adjustments	(757,327)	-	(757,327)
Public Act 423 of 1980	(223,121)	-	(223,121)
TOTAL REVENUES	<u>15,070,318</u>	<u>821,800</u>	<u>15,892,118</u>
EXPENDITURES:			
Board administration	1,824,262	-	1,824,262
Mentally ill - children	1,254,156	-	1,254,156
Mentally ill - adults	5,434,119	-	5,434,119
Developmental disabilities	6,608,844	-	6,608,844
Prevention services	82,405	-	82,405
Other services	-	817,503	817,503
TOTAL EXPENDITURES	<u>15,203,786</u>	<u>817,503</u>	<u>16,021,289</u>
CHANGE IN FUND BALANCE	(133,468)	4,297	(129,171)
Fund balance, beginning of year	<u>5,916,973</u>	<u>70,392</u>	<u>5,987,365</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,783,505</u>	<u>\$ 74,689</u>	<u>\$ 5,858,194</u>

The accompanying notes to financial statements are an integral part of this statement.

# Copper Country Community Mental Health Services Board

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	(129,171)
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(11,899)	
Capital outlays	<u>9,400</u>	(2,499)

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets.

-

Internal service funds are used by management to charge the cost of building rental, equipment purchase and maintenance and employee benefits to the General Fund. The net revenue (expense) of the internal service funds is reported with governmental activities, net of depreciation expense.

Change in net assets	95,044
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>(36,626)</u>
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Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS

September 30, 2007

	Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,045,210
Accounts receivable	(2,457)
Due from other funds	517,318
Prepaid expenses	1,299
Total current assets	<u>1,561,370</u>
Restricted assets:	
Cash and cash equivalents	<u>502,814</u>
Capital assets:	
Land	350,498
Construction in progress	3,050
Land improvements	53,587
Vehicles	967,623
Buildings and building improvements	4,810,372
Accumulated depreciation	<u>(3,723,217)</u>
Total noncurrent assets	<u>2,461,913</u>
TOTAL ASSETS	<u>4,526,097</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	199,746
Due to other funds	1,382,156
Accrued vacation and vested sick leave	508,659
Due to employees	-
Claims payable	415,827
Current maturities of long-term debt	42,742
Total current liabilities	<u>2,549,130</u>
Long-term liabilities:	
Notes payable	<u>531,909</u>
Total long-term liabilities	<u>531,909</u>
TOTAL LIABILITIES	<u>3,081,039</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,887,262
Unrestricted	<u>(442,204)</u>
TOTAL NET ASSETS	<u>\$ 1,445,058</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended September 30, 2007

	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 3,064,236
Contributions	3,364,771
Interest income	61,320
Reimbursements	-
TOTAL OPERATING REVENUES	<u>6,490,327</u>
OPERATING EXPENSES:	
Personnel services	5,460,869
Other services and charges	560,946
Depreciation	348,886
Interest expense	24,582
TOTAL OPERATING EXPENSES	<u>6,395,283</u>
OPERATING INCOME (LOSS)	95,044
CHANGE IN NET ASSETS	95,044
NET ASSETS, BEGINNING OF YEAR	<u>1,350,014</u>
NET ASSETS, END OF YEAR	<u>\$ 1,445,058</u>

The accompanying notes to financial statements are an integral part of this statement.

# Copper Country Community Mental Health Services Board

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

For the year ended September 30, 2007

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 7,642,278
Interest received	61,320
Other operating expenses	(7,070,978)
Interest paid	(24,582)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>608,038</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net cash provided (used) to finance accrued vacation and vested sick leave	<u>48,824</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>48,824</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(18,425)
Proceeds on sale of assets	-
Proceeds on notes	-
Principle payments on debt	(37,580)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(56,005)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
(Increase) in restricted assets	(21,085)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(21,085)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	579,772
Cash and cash equivalents, beginning of year	<u>465,438</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,045,210</u></u>
RECONCILIATION OF OPERATING (GAIN) LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net operating income (loss)	<u>\$ 95,044</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	348,886
Changes in assets and liabilities:	
Increase (decrease) in accounts receivable	1,942
Increase (decrease) in due from other funds	1,211,329
Increase (decrease) in prepaid expenses	(1,119)
Increase (decrease) in due to other funds	(1,020,770)
Increase (decrease) in due to employees	(35,017)
Increase (decrease) in accounts payable	(24,478)
Increase (decrease) in deferred revenue	-
Increase (decrease) in claims payable	32,221
TOTAL ADJUSTMENTS	<u>512,994</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u><u>\$ 608,038</u></u>

The accompanying notes to financial statements are an integral part of this statement.

# COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Copper Country Community Mental Health Services Board (the Board) is an autonomous entity, separate from the county governments which it services and accordingly consists of a separate set of self-balancing funds and accounts. The Board is, for financial reporting purposes, an Authority under the Michigan Mental Health Code (P.A. 290 of 1995). The accounting policies of the Board conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### **BASIS OF PRESENTATION**

##### *Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the Board as a whole. They include all funds of the Board. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services. Equity is classified as net assets and displayed in three components – invested in capital assets, net of related debt, restricted, and unrestricted.

##### *Fund Financial Statements:*

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories; governmental and proprietary categories. An emphasis is placed on major funds within the governmental category. The General Fund is always considered a major fund and the remaining funds of the Board are considered major if the total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds. The Board reports the Institute Fund as a major governmental fund in accordance with the criteria. The funds of the Board are described below:

#### **Governmental Funds**

**General Fund** – General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Institute Fund is a special revenue fund type.

### Proprietary Funds

**Internal Service Funds** – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Board, on a cost-reimbursement basis. The Employee Benefit Fund, the Equipment Fund, the Building and Grounds Fund and the Employee Health Benefit Trust Fund are internal service type funds.

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified as net assets the same as in the government-wide statements.

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### *Basis of Accounting*

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

### OTHER SIGNIFICANT ACCOUNTING POLICIES

**Budgets and Budgetary Accounting** – The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to October 1, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to October 1, the budget is legally enacted through the passage of a Board of Directors resolution.
- c. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Directors must approve any revisions that alter the total expenditures of any fund.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Directors.
- e. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Board because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpended appropriations lapse at the end of the fiscal year.



## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Cash and Cash Equivalents** – For purposes of balance sheet classification and the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Inventory** – Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies.

**Capital Assets** – The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. With purchases made after October 1, 2002, the Board defines capital assets as assets with an initial, individual cost of more than \$5,000.

Depreciation on all exhaustible capital assets is reported as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles and equipment	2-10 years
Buildings	20-25 years
Building Improvements	5-15 years
Land Improvements	10-15 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

**Accumulated Vacation and Vested Sick Leave** – The Board's policies regarding compensated absences permits employees to accumulate earned but unused combined leave, annual leave and vested sick leave. The liability for these compensated absences is recorded in the government-wide and proprietary fund financial statements as it is incurred.

**Long-Term Debt** – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether it is reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The Board's long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as in the government-wide statements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Interfund Activity** – During the course of its operations, the Board has numerous transactions between funds to finance operations, to provide services and to service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2006, balances of interfund accounts receivable or payable have been recorded in the fund financial statements. Interfund activity is eliminated in the government-wide financial statements.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**Revenues** – In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet criteria of program revenues, such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources, and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Board's policy to use the restricted resources first.

**Expenses/Expenditures** – In the government-wide statements, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations. In the proprietary fund statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

## NOTE B – DEPOSITS AND INVESTMENTS:

At year-end, the Board's cash and cash equivalents were reported in the basic financial statements in the following categories:

Cash and equivalents	\$7,056,937
Restricted assets	502,814
	<hr/>
	\$7,559,751
	<hr/>

## NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Cash and cash equivalents can also be summarized into the following categories:

Deposits:	
Demand accounts	\$22,775
Government trust funds	7,529,776
Imprest cash	7,200
	<hr/>
	\$7,559,751

### Deposits

#### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. State law does not require and the Board does not have a deposit policy for custodial credit risk. The carrying amounts of the Board's deposits with financial institutions was \$22,775 and the bank balance was \$114,404. Of the bank balance, \$100,915 was covered by federal depository insurance according to FDIC regulations.

### Investments

As of September 30, 2007 the Board had investments with a fair value of \$7,529,776 held in government trust funds with maturities less than one year. The deposits in government trust funds are invested in the U.S. Federated Government Trust, a mutual fund that invests solely in U.S. Government securities (treasury bills, bonds, and notes). Therefore, the carrying amount of \$7,529,776 at September 30, 2007 was fully backed by the U.S. Government under regulations applicable to U.S. Government securities.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Board's investments. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### *Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the Board to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

The Board has no investment policy that would further limit its investment choices. The Board's investments are in accordance with statutory authority.

**NOTE C – ESTIMATED AMOUNT DUE FROM (TO) MICHIGAN DEPARTMENT OF COMMUNITY HEALTH:**

The estimated amount due (to) from the Michigan Department of Community Health represents the Board's cost settlement report of services and expenditures for the year ending September 30, 2007 in accordance with terms of the master contract. The reported costs related to such services are subject to review by the Department.

**NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):**

		Due From Other Funds			
		General Fund	Employee Benefit Fund	Employee Health Benefits Fund	Total Due To Other Funds
Due To Other Funds	General Fund	\$ -	\$ 167,173	\$ 350,145	\$ 517,318
	Institute Fund	353,101	-	-	353,101
	Equipment Fund	65,075	-	-	65,075
	Buildings and Grounds	1,317,081	-	-	1,317,081
	Total Due From Other Funds	\$ 1,735,257	\$ 167,173	\$ 350,145	\$ 2,252,575

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE E – CAPITAL ASSETS:**

Capital assets relating to the Board are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital asset activity for the year ended September 30, 2007 is as follows:

	Balance 10/1/06	Additions	Deductions	Balance 9/30/07
Capital assets not being depreciated:				
Land	\$350,498	\$-	\$-	\$350,498
Construction in progress	45,393	18,425	(60,768)	3,050
Capital assets being depreciated:				
Land improvements	53,587	-	-	53,587
Buildings and building improvements	4,749,604	60,768	-	4,810,372
Vehicles	1,009,968	-	(42,345)	967,623

**NOTE E – CAPITAL ASSETS (Continued):**

	Balance 10/1/06	Additions	Deductions	Balance 9/30/07
Furniture and fixtures	\$49,501	\$9,400	\$-	\$58,901
Total Capital Assets	6,258,551	88,593	(103,113)	6,244,031
Less accumulated depreciation	(3,444,805)	(360,785)	42,345	(3,763,245)
Capital Assets, net	<u>\$2,813,746</u>	<u>\$(272,192)</u>	<u>(\$60,768)</u>	<u>\$2,480,786</u>

Depreciation expense was charged to governmental activities as follows:

**Governmental Activities:**

General government	\$11,899
Internal service funds charge to above activities	348,886

TOTAL	<u>\$360,785</u>
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**NOTE F – UNPAID CLAIMS:**

The Board estimates its liability for unpaid health insurance claims on the basis of the date the claim was incurred and historical experience. As of September 30, 2007 the amount of unpaid claims in the accompanying financial statements is \$415,827.

**NOTE G – INTERNAL SERVICE FUND ACCRUED LIABILITIES:**

Regular full-time employees annually earn 40 hours of sick leave, 40 hours of combined leave, and varying amounts of annual leave based on years of service. Fifty percent of sick leave is vested for employees who are 55 years old or have ten years of service. Combined and annual leave is vested when earned and may be accumulated up to 120 hours and 240 hours respectively. The amount of vested leave as of September 30, 2007 is as follows:

Sick leave	\$17,533
Combined leave	121,816
Annual leave	369,310
TOTAL	<u>\$508,659</u>

**NOTE H – DEFERRED COMPENSATION PLAN:**

The Board offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Board's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

**NOTE H – DEFERRED COMPENSATION PLAN (Continued):**

The Plan's participants have the right to designate how the funds will be invested. Therefore, the Board has no liability for losses under the Plan. The Plan's assets are held in a custodial account for the exclusive benefit of Plan participants and their beneficiaries.

**NOTE I – COMMITMENTS:**

The following is a summary of transactions for commitments under lease agreements and loans for facilities for the year ended September 30, 2007:

	Balance 10/1/06	Additions	Deductions	Balance 9/30/07
Mortgage Agreements	<u>\$612,231</u>	<u>\$-</u>	<u>\$37,580</u>	<u>\$574,651</u>

The total interest charged to expense is \$24,582 for the year ended September 30, 2007.

Annual principal and interest requirements on commitments are as follows:

	Principal	Interest	Total
2008	\$42,742	\$25,050	\$67,792
2009	44,777	23,015	67,792
2010	46,834	20,958	67,792
2011	48,986	18,806	67,792
2012	51,188	16,604	67,792
2013-2018	340,124	67,909	408,033
Totals	<u>\$574,651</u>	<u>\$172,342</u>	<u>\$746,993</u>

In May 2003, the Board entered into a 15 year mortgage agreement for financing Atlantic House and Quincy House and consolidating the remaining outstanding mortgages for Lakeside House, Stanton House, and the L'Anse facility. The agreement, effective May 1, 2003 and ending May 1, 2018, requires a monthly payment of \$5,649 with an interest rate of 4.50% to be adjusted on May 1, 2008 and again on May 1, 2013 to reflect a rate of interest equal to the lender's five-year commercial rate then in effect.

**NOTE J – DEFERRED REVENUES:**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Board has reported as deferred revenue the amount of \$4,094 of which \$3,644 represents special projects, and \$450 represents other miscellaneous reimbursements.

**NOTE K – MANAGED CARE:**

Through the Board's affiliation with NorthCare, the Board receives its state and federal share of Medicaid funds as a prepaid capitated payment based on a Per Eligible Per Month methodology for contractually identified and described covered services. At the end of the fiscal year, any unspent Medicaid funds are recorded as deferred. The Boards' unspent Medicaid funds are combined as a region with NorthCare. NorthCare may retain up to 5% of the net Medicaid savings. The Medicaid savings must be included in a formal reinvestment strategy that must be approved by the Michigan Department of Community Health and must be directed to the Medicaid population.

**NOTE K – MANAGED CARE (Continued):**

During the fiscal year 2007, there was \$18,949 in unspent Medicaid funds from the previous year. Medicaid Advances exceeded Medicaid expenditures by \$11,420. This amount is subject to adjustment by NorthCare per the terms above.

**NOTE L – PUBLIC ACT 423 - SPECIAL GRANT FUND:**

Act 423, P.A. 1980 was passed to provide a mechanism for assisting community mental health boards in all areas of the state to provide more comparable levels of service regardless of local economic conditions by redistributing local revenues collected from client services. Under the plan, participating boards deposit into the State's Act 423 Special Grant Fund all fees received from clients and third party insurers (except Medicaid). The money is then redistributed to the participating boards using a formula based partly on local economic conditions.

**NOTE M – DEFINED CONTRIBUTION RETIREMENT PLAN:**

The Board provides retirement benefits for eligible employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are generally eligible to participate after 1,000 hours and one year of service, and the Board will continue to make contributions until they have terminated employment. The plan is a non-contributory plan with the Board paying an amount equal to 7% of the compensation of all non-bargaining eligible employees and 4% of the compensation of all bargaining eligible employees.

The contribution for each employee along with investment income allocated to the employee's account is immediately fully vested for all employees.

The Board's total eligible payroll for fiscal years 2007, 2006, and 2005 was \$8,094,874, \$8,095,172, and \$6,490,149, respectively. The Board's total contribution to the pension plan for fiscal years 2007, 2006, and 2005 was \$417,369, \$421,918 and \$346,365, which represents approximately 6%, 5%, and 5% of covered payroll, respectively.

**NOTE N – PUBLIC ENTITY RISK POOL:**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in a public entity risk pool currently operating as a common risk management and insurance program. The Board pays an annual contribution to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

The Board continues to carry commercial insurance for Physician Malpractice and all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE O – OWNERSHIP:**

The Board's membership is currently divided in proportion to each county's population, based on the 2000 U.S. Census, and is approximately 65.63%, 15.94%, 4.19% and 14.24% for Houghton, Baraga, Keweenaw and Ontonagon Counties, respectively. The 2007 financial statements include 100% of the recorded assets of the Board.

**NOTE P – RESTATEMENT:**

The beginning of the year net assets and capital assets were adjusted by \$124,916 to remove items previously reported as capital assets being recorded for insurance purposes but do not meet the \$5,000 capitalization floor. Beginning net assets were also adjusted by \$57,669 for deferred Medicaid revenue taken into net assets in 2006 and utilized by Copper Country Community Mental Health Services Board as a draw down of net assets in 2007.



## **REQUIRED SUPPLEMENTAL INFORMATION**

**Copper Country Community Mental Health Services Board**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended September 30, 2007

With comparative actual amounts for the year ended September 30, 2006

	2007				2006
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Federal sources:					
Grant projects	\$      -	\$      -	\$  276,214	\$     276,214	\$         -
State sources:					
Department of Community Health:					
General Fund	2,384,059	2,243,863	2,104,294	(139,569)	2,268,747
Medicaid - Developmental Disabilities	8,405,878	8,820,731	8,657,505	(163,226)	8,405,496
Medicaid - Mentally Ill	2,378,542	2,410,545	2,412,485	1,940	2,371,650
Public Act 423 of 1980	96,570	221,727	359,088	137,361	140,740
Title XX Replacement	7,228	7,228	7,228	-	7,228
Department of Education	107,928	47,178	47,178	-	87,294
Local sources:					
County appropriations	255,605	255,605	255,604	(1)	255,604
Charges for services:					
Client fees except Medicaid	1,398,954	1,460,518	1,417,357	(43,161)	1,346,606
Sales	33,099	50,610	81,253	30,643	36,475
Other	272,823	320,593	62,753	(257,840)	276,432
Contributions from private sources	61,013	61,013	62,142	1,129	67,792
Investment income	199,108	281,856	282,717	861	213,549
Other revenues	25,767	24,936	24,948	12	26,025
TOTAL REVENUES	15,626,574	16,206,403	16,050,766	(155,637)	15,503,638
Less deductions from revenues:					
Contractual adjustments	(594,393)	(791,677)	(757,327)	34,350	(611,260)
Public Act 423 of 1980	(96,570)	(221,727)	(223,121)	(1,394)	(140,740)
NET REVENUES	14,935,611	15,192,999	15,070,318	(122,681)	14,751,638
EXPENDITURES:					
Board administration	1,831,160	1,919,210	1,824,262	94,948	1,756,505
Mentally ill - children:					
Community inpatient	58,280	58,700	79,028	(20,328)	45,950
State inpatient	-	-	-	-	-
State managed residential	86,900	116,000	120,670	(4,670)	80,852
Outpatient services	1,020,851	1,079,350	1,039,695	39,655	983,761
Respite residential	13,883	16,682	14,763	1,919	14,552
TOTAL MENTALLY ILL - CHILDREN	1,179,914	1,270,732	1,254,156	16,576	1,125,115

**Copper Country Community Mental Health Services Board**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended September 30, 2007

With comparative actual amounts for the year ended September 30, 2006

	2007			2006
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final		
Mentally ill - adults:				
Community inpatient	\$ 288,202	\$ 413,415	\$ 405,766	\$ 248,733
State inpatient	148,176	181,425	222,532	156,260
Community residential	737,523	554,565	607,603	770,703
State residential	52,036	134,067	132,889	46,491
Crisis residential	154,361	261,474	256,059	157,091
Partial day services	1,184,536	1,239,072	1,268,089	1,197,372
Outpatient services	1,592,111	1,586,901	1,440,970	1,456,829
Case management	1,086,672	1,123,327	1,100,211	1,045,957
<b>TOTAL MENTALLY ILL - ADULTS</b>	<b>5,243,617</b>	<b>5,494,246</b>	<b>5,434,119</b>	<b>5,079,436</b>
Developmental Disabilities:				
Community residential	4,270,990	4,089,846	4,139,569	4,245,923
State managed residential	365,054	457,947	459,271	353,463
Crisis residential	441,476	9,062	9,047	-
Partial day services	614,849	470,640	478,745	435,036
Outpatient services	894,119	592,237	571,435	336,229
Case management	-	964,067	950,777	916,639
<b>TOTAL DEVELOPMENTAL DISABILITIES</b>	<b>6,586,488</b>	<b>6,583,799</b>	<b>6,608,844</b>	<b>6,287,290</b>
Prevention Services:				
Direct service models	-	-	-	-
Other service models	94,432	81,538	82,405	50,738
<b>TOTAL PREVENTION SERVICES</b>	<b>94,432</b>	<b>81,538</b>	<b>82,405</b>	<b>50,738</b>
<b>TOTAL EXPENDITURES</b>	<b>14,935,611</b>	<b>15,349,525</b>	<b>15,203,786</b>	<b>14,299,084</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(156,526)</b>	<b>(133,468)</b>	<b>452,554</b>
Fund balance, beginning of year as restated	5,916,973	5,916,973	5,916,973	5,464,419
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,916,973</b>	<b>\$ 5,760,447</b>	<b>\$ 5,783,505</b>	<b>\$ 5,916,973</b>

**Copper Country Community Mental Health Services Board**

**INSTITUTE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended September 30, 2007  
With comparative actual amounts for the year ended September 30, 2006

	2007				2006
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	GAAP	Final Budget	GAAP
			Basis	Positive	Basis
				(Negative)	
REVENUES:					
State sources:					
Department of Community Health:					
Grant projects	\$ 57,660	\$ 44,600	\$ 43,485	\$ (1,115)	\$ 57,660
Federal sources:					
Grant projects	3,435	321,341	321,341	-	3,435
Charges for services:					
Other	778,488	624,942	426,840	(198,102)	662,768
Investment income	12,000	12,000	16,769	4,769	13,025
Other revenues	11,700	11,700	13,365	1,665	11,700
TOTAL REVENUES	863,283	1,014,583	821,800	(192,783)	748,588
EXPENDITURES:					
Administration	12,000	12,000	36,760	(24,760)	13,025
Training:					
Copper Country Mental Health	54,395	54,395	46,758	7,637	50,671
Consultation/sales	-	-	1,965	(1,965)	2,069
TOTAL TRAINING	54,395	54,395	48,723	5,672	52,740
Prevention:					
Copper Country Mental Health	47,834	47,834	21,184	26,650	16,181
Grants	568,866	698,766	514,772	183,994	482,289
Infant mental health	140,000	155,400	168,368	(12,968)	149,157
Special projects	24,488	34,488	23,925	10,563	38,387
Consultation/sales	4,000	-	-	-	-
TOTAL PREVENTION	785,188	936,488	728,249	208,239	686,014
EAP	-	-	-	-	-
HSCB	-	-	-	-	-
Copper Country Initiatives	11,700	11,700	3,771	7,929	1,185
TOTAL EXPENDITURES	863,283	1,014,583	817,503	197,080	752,964
NET CHANGE IN FUND BALANCE	-	-	4,297	4,297	(4,376)
Fund balance, beginning of year	70,392	70,392	70,392	-	74,768
FUND BALANCE, END OF YEAR	\$ 70,392	\$ 70,392	\$ 74,689	\$ 4,297	\$ 70,392

## **OTHER FINANCIAL INFORMATION**

Copper Country Community Mental Health Services Board  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
September 30, 2007  
With comparative amounts at September 30, 2006

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals	
					2007	2006
<b>ASSETS:</b>						
Current assets:						
Cash and cash equivalents	\$ 414,962	\$ 3,863	\$ 308,361	\$ 318,024	\$ 1,045,210	\$ 465,438
Accounts receivable	(3,245)	788	-	-	(2,457)	(515)
Due from other funds	167,173	-	-	350,145	517,318	1,728,647
Prepaid expenses	-	-	1,299	-	1,299	180
Total current assets	578,890	4,651	309,660	668,169	1,561,370	2,193,750
Restricted assets:						
Cash and cash equivalents	502,814	-	-	-	502,814	481,729
Capital assets:						
Land	-	-	350,498	-	350,498	350,498
Construction in progress	-	-	3,050	-	3,050	45,393
Land improvements	-	-	53,587	-	53,587	53,587
Vehicles	-	967,623	-	-	967,623	1,009,968
Buildings and building improvements	-	-	4,810,372	-	4,810,372	4,749,604
Accumulated depreciation	-	(727,627)	(2,995,590)	-	(3,723,217)	(3,416,676)
Total capital assets	-	239,996	2,221,917	-	2,461,913	2,792,374
<b>TOTAL ASSETS</b>	<b>1,081,704</b>	<b>244,647</b>	<b>2,531,577</b>	<b>668,169</b>	<b>4,526,097</b>	<b>5,467,853</b>

Copper Country Community Mental Health Services Board  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
September 30, 2007  
With comparative amounts at September 30, 2006

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals	
					2007	2006
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	\$ 178,878	\$ 5,852	\$ 15,016	\$ -	\$ 199,746	\$ 224,224
Due to other funds	-	65,075	1,317,081	-	1,382,156	2,402,926
Accrued vacation and vested sick leave	508,659	-	-	-	508,659	459,835
Due to employees	-	-	-	-	-	35,017
Notes payable - current maturities	-	-	42,742	-	42,742	37,460
Claims payable	-	-	-	415,827	415,827	383,606
Total current liabilities	687,537	70,927	1,374,839	415,827	2,549,130	3,543,068
Long-term liabilities:						
Notes payable	-	-	531,909	-	531,909	574,771
<b>TOTAL LIABILITIES</b>	<b>687,537</b>	<b>70,927</b>	<b>1,906,748</b>	<b>415,827</b>	<b>3,081,039</b>	<b>4,117,839</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	-	239,996	1,647,266	-	1,887,262	2,180,143
Unrestricted	394,167	(66,276)	(1,022,437)	252,342	(442,204)	(830,129)
<b>TOTAL NET ASSETS</b>	<b>\$ 394,167</b>	<b>\$ 173,720</b>	<b>\$ 624,829</b>	<b>\$ 252,342</b>	<b>\$ 1,445,058</b>	<b>\$ 1,350,014</b>

Copper Country Community Mental Health Services Board  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	Employee Benefit Fund	Equipment Fund	Buildings and Grounds Fund	Employee Health Benefits Fund	Totals	
					2007	2006
REVENUES:						
Operating revenues:						
Charges for services	\$ -	\$ 355,317	\$ 716,016	\$ 1,992,903	\$ 3,064,236	\$ 2,653,821
Contributions	3,364,771	-	-	-	3,364,771	2,890,831
Interest income	34,260	2,090	16,130	8,840	61,320	53,354
Reimbursements	-	-	-	-	-	68,938
Total operating revenues	<u>3,399,031</u>	<u>357,407</u>	<u>732,146</u>	<u>2,001,743</u>	<u>6,490,327</u>	<u>5,666,944</u>
EXPENSES:						
Operating Expenses:						
Personnel services	3,409,448	17,320	145,052	1,889,049	5,460,869	4,639,470
Other services and charges	5,977	200,207	352,418	2,344	560,946	631,399
Depreciation	-	137,579	211,307	-	348,886	319,241
Interest expense	-	-	24,582	-	24,582	28,531
Total operating expenses	<u>3,415,425</u>	<u>355,106</u>	<u>733,359</u>	<u>1,891,393</u>	<u>6,395,283</u>	<u>5,618,641</u>
OPERATING INCOME (LOSS)	(16,394)	2,301	(1,213)	110,350	95,044	48,303
CHANGE IN NET ASSETS	(16,394)	2,301	(1,213)	110,350	95,044	48,303
NET ASSETS, BEGINNING OF YEAR	<u>410,561</u>	<u>171,419</u>	<u>626,042</u>	<u>141,992</u>	<u>1,350,014</u>	<u>1,301,711</u>
NET ASSETS, END OF YEAR	<u>\$ 394,167</u>	<u>\$ 173,720</u>	<u>\$ 624,829</u>	<u>\$ 252,342</u>	<u>\$ 1,445,058</u>	<u>\$ 1,350,014</u>



Copper Country Community Mental Health Services Board  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals	
					2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from fees and charges for services	\$ 4,412,251	\$ 354,529	\$ 716,028	\$ 2,159,470	\$ 7,642,278	\$ 5,184,026
Interest received	34,260	2,090	16,130	8,840	61,320	53,354
Other operating expenses	(4,085,582)	(391,839)	(734,385)	(1,859,172)	(7,070,978)	(5,040,940)
Interest paid	-	-	(24,582)	-	(24,582)	(28,531)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	360,929	(35,220)	(26,809)	309,138	608,038	167,909
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Net cash provided (used) to finance accrued vacation and vested sick leave	48,824	-	-	-	48,824	26,118
NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES	48,824	-	-	-	48,824	26,118
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	-	-	(18,425)	-	(18,425)	(226,649)
Proceeds from sale of assets	-	-	-	-	-	-
Proceeds on notes	-	-	-	-	-	-
Principal payments on debt	-	-	(37,580)	-	(37,580)	(39,280)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(56,005)	-	(56,005)	(265,929)
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Increase) in restricted assets	(21,085)	-	-	-	(21,085)	(17,288)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(21,085)	-	-	-	(21,085)	(17,288)
NET CHANGE IN CASH AND CASH EQUIVALENTS	388,668	(35,220)	(82,814)	309,138	579,772	(89,190)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,294	39,083	391,175	8,886	465,438	554,628
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 414,962	\$ 3,863	\$ 308,361	\$ 318,024	\$ 1,045,210	\$ 465,438
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (16,394)	\$ 2,301	\$ (1,213)	\$ 110,350	\$ 95,044	\$ 48,303
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	-	137,579	211,307	-	348,886	319,241
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	2,718	(788)	12	-	1,942	545
(Increase) decrease in due from other funds	1,044,762	-	-	166,567	1,211,329	(430,109)
(Increase) decrease in prepaid expenses	-	-	(1,119)	-	(1,119)	2,092
Increase (decrease) in due to other funds	(641,712)	(174,543)	(204,515)	-	(1,020,770)	175,208
Increase (decrease) in due to employees	(35,017)	-	-	-	(35,017)	18,402
Increase (decrease) in accounts payable	6,572	231	(31,281)	-	(24,478)	130,485
Increase (decrease) in deferred revenue	-	-	-	-	-	-
Increase (decrease) in claims payable	-	-	-	32,221	32,221	(96,258)
TOTAL ADJUSTMENTS	377,323	(37,521)	(25,596)	198,788	512,994	119,606
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 360,929	\$ (35,220)	\$ (26,809)	\$ 309,138	\$ 608,038	\$ 167,909

Copper Country Community Mental Health Services Board  
EMPLOYEE BENEFIT FUND  
STATEMENT OF NET ASSETS  
September 30, 2007  
With comparative amounts at September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Cash and cash equivalents:	\$ 414,962	\$ 26,294
Accounts receivable	(3,245)	(527)
Due from other funds	<u>167,173</u>	<u>1,211,935</u>
Total current assets	<u>578,890</u>	<u>1,237,702</u>
Restricted assets:		
Cash and cash equivalents	<u>502,814</u>	<u>481,729</u>
TOTAL ASSETS	<u>1,081,704</u>	<u>1,719,431</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	178,878	172,306
Due to other funds	-	641,712
Accrued vacation and vested sick leave	508,659	459,835
Due to employees	<u>-</u>	<u>35,017</u>
Total current liabilities	<u>687,537</u>	<u>1,308,870</u>
TOTAL LIABILITIES	<u>687,537</u>	<u>1,308,870</u>
NET ASSETS:		
Unrestricted	<u>394,167</u>	<u>410,561</u>
TOTAL NET ASSETS	<u>\$ 394,167</u>	<u>\$ 410,561</u>

Copper Country Community Mental Health Services Board  
EMPLOYEE BENEFIT FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Operating revenues:		
Contributions	\$ 3,364,771	\$ 2,890,831
Interest income	34,260	25,604
Reimbursements	-	68,938
Total operating revenues	<u>3,399,031</u>	<u>2,985,373</u>
EXPENSES:		
Operating Expenses:		
Personnel services	3,409,448	2,980,816
Other services and charges	5,977	4,716
Total operating expenses	<u>3,415,425</u>	<u>2,985,532</u>
OPERATING INCOME (LOSS)	(16,394)	(159)
CHANGE IN NET ASSETS	(16,394)	(159)
NET ASSETS, BEGINNING OF YEAR	<u>410,561</u>	<u>410,720</u>
NET ASSETS, END OF YEAR	<u>\$ 394,167</u>	<u>\$ 410,561</u>

Copper Country Community Mental Health Services Board  
EMPLOYEE BENEFIT FUND  
STATEMENT OF CASH FLOWS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 4,412,251	\$ 2,551,724
Interest received	34,260	25,604
Other operating expenses	<u>(4,085,582)</u>	<u>(2,716,629)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>360,929</u>	<u>(139,301)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net cash provided to finance accrued vacation and vested sick leave	<u>48,824</u>	<u>26,118</u>
NET CASH PROVIDED FOR NONCAPITAL FINANCING ACTIVITIES	<u>48,824</u>	<u>26,118</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) in restricted assets	<u>(21,085)</u>	<u>(17,288)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(21,085)</u>	<u>(17,288)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	388,668	(130,471)
Cash and cash equivalents, beginning of year	<u>26,294</u>	<u>156,765</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 414,962</u>	<u>\$ 26,294</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (16,394)</u>	<u>\$ (159)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	2,718	557
(Increase) decrease in due from other funds	1,044,762	(408,602)
Increase (decrease) in due to employees	(35,017)	18,402
Increase (decrease) in due to other funds	(641,712)	146,507
Increase (decrease) in accounts payable	<u>6,572</u>	<u>103,994</u>
TOTAL ADJUSTMENTS	<u>377,323</u>	<u>(139,142)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 360,929</u>	<u>\$ (139,301)</u>

Copper Country Community Mental Health Services Board  
EQUIPMENT FUND  
STATEMENT OF NET ASSETS  
September 30, 2007  
With comparative amounts at September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,863	\$ 39,083
Accounts receivable	788	-
Prepaid expenses	<u>-</u>	<u>-</u>
Total current assets	<u>4,651</u>	<u>39,083</u>
Capital assets:		
Vehicles	967,623	1,009,968
Accumulated depreciation	<u>(727,627)</u>	<u>(632,393)</u>
Total capital assets	<u>239,996</u>	<u>377,575</u>
TOTAL ASSETS	<u>244,647</u>	<u>416,658</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	5,852	5,621
Due to other funds	<u>65,075</u>	<u>239,618</u>
Total current liabilities	<u>70,927</u>	<u>245,239</u>
TOTAL LIABILITIES	<u>70,927</u>	<u>245,239</u>
NET ASSETS:		
Invested in capital assets, net of related debt	239,996	377,575
Unrestricted	<u>(66,276)</u>	<u>(206,156)</u>
TOTAL NET ASSETS	<u>\$ 173,720</u>	<u>\$ 171,419</u>

Copper Country Community Mental Health Services Board  
EQUIPMENT FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 355,317	\$ 336,052
Interest income	2,090	4,320
Total operating revenues	<u>357,407</u>	<u>340,372</u>
EXPENSES:		
Operating Expenses:		
Personnel services	17,320	14,011
Other services and charges	200,207	220,423
Depreciation	137,579	111,108
Total operating expenses	<u>355,106</u>	<u>345,542</u>
OPERATING INCOME (LOSS)	2,301	(5,170)
CHANGE IN NET ASSETS	2,301	(5,170)
NET ASSETS, BEGINNING OF YEAR	<u>171,419</u>	<u>176,589</u>
NET ASSETS, END OF YEAR	<u><u>\$ 173,720</u></u>	<u><u>\$ 171,419</u></u>

Copper Country Community Mental Health Services Board  
EQUIPMENT FUND  
STATEMENT OF CASH FLOWS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 354,529	\$ 336,052
Interest received	2,090	4,320
Other operating expenses	(391,839)	(122,324)
Interest paid	-	-
	<u>          </u>	<u>          </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(35,220)	218,048
	<u>          </u>	<u>          </u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(185,826)
Principal payment on debt	-	-
Contributed capital	-	-
	<u>          </u>	<u>          </u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	(185,826)
	<u>          </u>	<u>          </u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,220)	32,222
Cash and cash equivalents, beginning of year	39,083	6,861
	<u>          </u>	<u>          </u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,863	\$ 39,083
	<u>          </u>	<u>          </u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 2,301	\$ (5,170)
	<u>          </u>	<u>          </u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	137,579	111,108
Change in assets and liabilities:		
(Increase) decrease in due from other funds	-	-
(Increase) decrease in accounts receivable	(788)	-
(Increase) decrease in prepaid expenses	-	1,440
Increase (decrease) in accounts payable	231	2,819
Increase (decrease) in due to other funds	(174,543)	107,851
	<u>          </u>	<u>          </u>
TOTAL ADJUSTMENTS	(37,521)	223,218
	<u>          </u>	<u>          </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (35,220)	\$ 218,048
	<u>          </u>	<u>          </u>

Copper Country Community Mental Health Services Board  
BUILDING AND GROUNDS FUND  
STATEMENT OF NET ASSETS  
September 30, 2007  
With comparative amounts at September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 308,361	\$ 391,175
Accounts receivable	-	12
Prepaid expenses	<u>1,299</u>	<u>180</u>
Total current assets	<u>309,660</u>	<u>391,367</u>
Capital assets:		
Land	350,498	350,498
Construction in progress	3,050	45,393
Land improvements	53,587	53,587
Buildings and building improvements	4,810,372	4,749,604
Accumulated depreciation	<u>(2,995,590)</u>	<u>(2,784,283)</u>
Total capital assets	<u>2,221,917</u>	<u>2,414,799</u>
TOTAL ASSETS	<u>2,531,577</u>	<u>2,806,166</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	15,016	46,297
Due to other funds	1,317,081	1,521,596
Notes payable - current maturities	<u>42,742</u>	<u>37,460</u>
Total current liabilities	<u>1,374,839</u>	<u>1,605,353</u>
Long-term liabilities:		
Notes payable	<u>531,909</u>	<u>574,771</u>
TOTAL LIABILITIES	<u>1,906,748</u>	<u>2,180,124</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,647,266	1,802,568
Unrestricted	<u>(1,022,437)</u>	<u>(1,176,526)</u>
TOTAL NET ASSETS	<u>\$ 624,829</u>	<u>\$ 626,042</u>



Copper Country Community Mental Health Services Board  
BUILDING AND GROUNDS FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 716,016	\$ 777,547
Interest income	16,130	11,179
Total operating revenues	<u>732,146</u>	<u>788,726</u>
EXPENSES:		
Operating Expenses:		
Personnel services	145,052	113,708
Other services and charges	352,418	403,605
Depreciation	211,307	208,133
Interest expense	24,582	28,531
Total operating expenses	<u>733,359</u>	<u>753,977</u>
OPERATING INCOME (LOSS)	(1,213)	34,749
CHANGE IN NET ASSETS	(1,213)	34,749
NET ASSETS, BEGINNING OF YEAR	<u>626,042</u>	<u>591,293</u>
NET ASSETS, END OF YEAR	<u>\$ 624,829</u>	<u>\$ 626,042</u>

Copper Country Community Mental Health Services Board  
BUILDINGS AND GROUNDS FUND  
STATEMENT OF CASH FLOWS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 716,028	\$ 777,535
Interest received	16,130	11,179
Other operating expenses	(734,385)	(572,139)
Interest paid	(24,582)	(28,531)
	<u>(26,809)</u>	<u>188,044</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(18,425)	(40,823)
Proceeds from sale of assets	-	-
Proceeds on notes	-	-
Principal payments on debt	(37,580)	(39,280)
	<u>(56,005)</u>	<u>(80,103)</u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(82,814)	107,941
Cash and cash equivalents, beginning of year	<u>391,175</u>	<u>283,234</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 308,361</u>	<u>\$ 391,175</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,213)	\$ 34,749
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	211,307	208,133
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	12	(12)
(Increase) decrease in due from other funds	-	-
(Increase) decrease in prepaid expenses	(1,119)	652
Increase (decrease) in due to other funds	(204,515)	(79,150)
Increase (decrease) in accounts payable	(31,281)	23,672
Increase (decrease) in deferred revenue	-	-
	<u>(25,596)</u>	<u>153,295</u>
TOTAL ADJUSTMENTS		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (26,809)</u>	<u>\$ 188,044</u>

Copper Country Community Mental Health Services Board  
EMPLOYEE HEALTH BENEFITS FUND  
STATEMENT OF NET ASSETS  
September 30, 2007  
With comparative amounts at September 30, 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 318,024	\$ 8,886
Due from other funds	<u>350,145</u>	<u>516,712</u>
Total current assets	<u>668,169</u>	<u>525,598</u>
TOTAL ASSETS	<u>668,169</u>	<u>525,598</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>415,827</u>	<u>383,606</u>
Total current liabilities	<u>415,827</u>	<u>383,606</u>
TOTAL LIABILITIES	<u>415,827</u>	<u>383,606</u>
NET ASSETS:		
Invested in capital assets, net of related debt	-	-
Unrestricted	<u>252,342</u>	<u>141,992</u>
TOTAL NET ASSETS	<u><u>\$ 252,342</u></u>	<u><u>\$ 141,992</u></u>

Copper Country Community Mental Health Services Board  
EMPLOYEE HEALTH BENEFITS FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 1,992,903	\$ 1,540,222
Interest income	8,840	12,251
Total operating revenues	<u>2,001,743</u>	<u>1,552,473</u>
EXPENSES:		
Operating Expenses:		
Personnel services	1,889,049	1,530,935
Other services and charges	2,344	2,655
Total operating expenses	<u>1,891,393</u>	<u>1,533,590</u>
OPERATING INCOME (LOSS)	110,350	18,883
CHANGE IN NET ASSETS	110,350	18,883
NET ASSETS, BEGINNING OF YEAR	<u>141,992</u>	<u>123,109</u>
NET ASSETS, END OF YEAR	<u>\$ 252,342</u>	<u>\$ 141,992</u>

Copper Country Community Mental Health Services Board  
EMPLOYEE HEALTH BENEFITS FUND  
STATEMENT OF CASH FLOWS  
For the year ended September 30, 2007  
With comparative amounts for the year ended September 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 2,159,470	\$ 1,518,715
Interest received	8,840	12,251
Other operating expenses	<u>(1,859,172)</u>	<u>(1,629,848)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>309,138</u>	<u>(98,882)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	309,138	(98,882)
Cash and cash equivalents, beginning of year	<u>8,886</u>	<u>107,768</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 318,024</u>	<u>\$ 8,886</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 110,350</u>	<u>\$ 18,883</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in due from other funds	166,567	(21,507)
Increase (decrease) in claims payable	32,221	(96,258)
Increase (decrease) in due to other funds	<u>-</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>198,788</u>	<u>(117,765)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 309,138</u>	<u>\$ (98,882)</u>

## **FEDERAL FINANCIAL ASSISTANCE**



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### Partners

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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Health  
Copper Country Community Mental Health Services Board  
901 W. Memorial Drive  
Houghton, MI 49931

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copper Country Community Mental Health Services Board, as of and for the year ended September 30, 2007, which collectively comprise Copper Country Community Mental Health Services Board's basic financial statements and have issued our report thereon dated March 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Copper Country Community Mental Health Services Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Copper Country Community Mental Health Services Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Copper Country Community Mental Health Services Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote

likelihood that a misstatement of the Copper Country Community Mental Health Services Board's financial statements that is more than inconsequential will not be prevented or detected by Copper Country Community Mental Health Services Board's internal control.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 07-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Copper Country Community Mental Health Services Board's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Copper Country Community Mental Health Services Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Copper Country Community Mental Health Services Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Copper Country Community Mental Health Services Board's response and, accordingly, we express not opinion on it.

This report is intended solely for the information and use of management, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 8, 2008





## Anderson, Tackman & Company, PLC

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### Partners

John W. Blemberg, CPA	Robert J. Downs, CPA, CVA	Daniel E. Bianchi, CPA
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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Health  
Copper Country Community Mental Health Services Board  
901 W. Memorial Drive  
Houghton, MI 49931

### **Compliance**

We have audited the compliance of Copper Country Community Mental Health Services Board with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Copper Country Community Mental Health Services Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Copper Country Community Mental Health Services Board's management. Our responsibility is to express an opinion on Copper Country Community Mental Health Services Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Copper Country Community Mental Health Services Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Copper Country Community Mental Health Services Board's compliance with those requirements.

In our opinion, Copper Country Community Mental Health Services Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

### **Internal Control Over Compliance**

The management of Copper Country Community Mental Health Services Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Copper Country Community Mental Health Services Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Copper Country Community Mental Health Services Board's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 8, 2008

COPPER COUNTRY MENTAL HEALTH  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2007

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue October 1, 2006	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue September 30, 2007
U.S. Department of Health and Human Services:							
Passed through Mich. Department of Community Health:							
Alzheimer's Wraparound:							
20070490	93.051	98,413	58,431	50,417	98,413	109,844	38,986
Alzheimer's Caregiver Education:							
20070490	93.051	20,815	20,815	2,638	20,815	16,307	7,146
Alzheimer's Respite:							
20070490	93.051	59,521	57,660	11,818	59,521	39,265	32,074
<b>TOTAL</b>		<b>178,749</b>	<b>136,906</b>	<b>64,873</b>	<b>178,749</b>	<b>165,416</b>	<b>78,206</b>
Child Care Consultation:							
20070496	93.575	122,400	120,000	48,781	122,400	130,469	40,712
<b>TOTAL</b>		<b>122,400</b>	<b>120,000</b>	<b>48,781</b>	<b>122,400</b>	<b>130,469</b>	<b>40,712</b>
Access Baraga County:							
20070832	93.630	33,133	15,715	9,328	28,607	29,983	7,952
<b>TOTAL</b>		<b>33,133</b>	<b>15,715</b>	<b>9,328</b>	<b>28,607</b>	<b>29,983</b>	<b>7,952</b>
OBRA							
	93.778	129,455	118,372	48,235	129,455	129,242	48,448
<b>TOTAL</b>		<b>129,455</b>	<b>118,372</b>	<b>48,235</b>	<b>129,455</b>	<b>129,242</b>	<b>48,448</b>
ART & SED Screening:							
20071325	93.958	75,000	49,512	861	75,000	58,030	17,831
Wraparound Coordination:							
20071325	93.958	55,000	-	-	20,192	10,169	10,023
<b>TOTAL</b>		<b>130,000</b>	<b>49,512</b>	<b>861</b>	<b>95,192</b>	<b>68,199</b>	<b>27,854</b>
<b>TOTAL PASSED THROUGH MICH. DEPT. OF COMMUNITY HEALTH</b>		<b>593,737</b>	<b>440,505</b>	<b>172,078</b>	<b>554,403</b>	<b>523,309</b>	<b>203,172</b>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>593,737</b>	<b>440,505</b>	<b>172,078</b>	<b>554,403</b>	<b>523,309</b>	<b>203,172</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 593,737</b>	<b>\$ 440,505</b>	<b>\$ 172,078</b>	<b>\$ 554,403</b>	<b>\$ 523,309</b>	<b>\$ 203,172</b>

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended September 30, 2007

**NOTE A – OVERSIGHT AGENCY:**

The U.S. Department of Health and Human Services is the current year's oversight agency for the single audit as determined by the agency providing the largest share of Copper Country Community Mental Health Services Board's federal awards.

**NOTE B – BASIS OF ACCOUNTING:**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2007

Section I – Summary of Auditors' Results

General Purpose Financial Statements

- Type of auditors' report issued: *Unqualified*
- Internal control over financial reporting:
  - No material weaknesses were identified
  - There was one significant deficiency reported (refer to Section II)
- No noncompliance items material to the financial statements were identified.

Federal Awards

- Internal Control over major programs:
  - No material weaknesses were identified.
  - No significant deficiencies not considered to be material weaknesses were identified.
- Types of auditors' report issued on compliance for major programs: *Unqualified*
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None

Major Programs

- The programs tested as a major program were:
  - Child Care and Development Block Grant CFDA # 93.575
  - Medical Assistance Program (OBRA) CFDA # 93.778
  - Block Grants for Community Mental Health Services CFDA # 93.958
- Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000
- Auditee qualified as low-risk auditee? *No*.

Section II – Financial Statement Findings

- The following significant deficiencies were noted:

**07-01      *Condition:*** There are reconciling items on several bank reconciliations that were carried over for a period exceeding one year without being investigated.

***Criteria:*** The monthly bank reconciliation process is performed to ensure the accounts and records are being reconciled.

***Effect:*** An integral step in this process is to investigate any outstanding items that may lead to the financial statements to become misleading or contain errors, which would go undetected.

***Recommendation:*** A review of the reconciling items should be conducted when preparing the monthly bank reconciliations and to correct any irregularities at that time.

***Management Response:*** Management concurs.

Section III – Federal Award Findings and Questioned Costs

- There were no findings and/or questioned costs identified.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD  
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2006

- Copper Country Community Mental Health Services Board expended less than \$500,000 for the year ended September 30, 2006. As such, a Single Audit was not required.



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March 8, 2008

To the Board of Health and Management of  
Copper Country Community Mental Health  
Services Board  
901 W. Memorial Drive  
Houghton, MI 49931

In planning and performing our audit of the financial statements of Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Copper Country Community Mental Health Services Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**07-01 Bank Account Reconciliation**

During our engagement we encountered reconciling items on bank reconciliations that were carried over for a period exceeding one year without being investigated. The monthly bank reconciliation process is performed to ensure the accounts and records are being reconciled and an integral step in this process is to investigate any outstanding items that may lead the financial statements to become misleading or contain errors, which would go undetected. We recommend a review of the reconciling items when preparing the monthly bank reconciliations and to correct any irregularities at that time.



To the Board of Health and the Management of  
Copper Country Community Mental Health Services Board

Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing the recommendations.

We wish to thank the Executive Director and staff for their support and assistance during our audit. This communication is intended solely for the information and use of the Board of Health, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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March 8, 2008

Copper Country Community Mental Health Services Board  
901 W. Memorial Drive  
Houghton, Michigan 49931

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copper Country Community Mental Health Services Board for the year ended September 30, 2007, and have issued our report thereon dated March 8, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated November 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Copper Country Community Mental Health Services Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Copper Country Community Mental Health Services Board's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Copper Country Community Mental Health Services Board's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Copper Country Community Mental Health Services Board's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Copper Country Community Mental Health Services Board's compliance with those requirements.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Copper Country Community Mental Health Services Board are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no

transactions entered into by the Copper Country Community Mental Health Services Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Copper Country Community Mental Health Services Board's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Copper Country Community Mental Health Services Board, either individually or in the aggregate, indicate matters that could have a significant effect on the Copper Country Community Mental Health Services Board's financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Copper Country Community Mental Health Services Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management performing and completing our audit.

#### **Conclusion**

This information is intended solely for the use of the Copper Country Community Mental Health Services Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tackman & Company, PLLC*

Certified Public Accountants